

The Washington Post

Obama's debt commission warns of fiscal 'cancer'

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Monday, July 12, 2010; A02

BOSTON -- The co-chairmen of President Obama's debt and deficit commission offered an ominous assessment of the nation's fiscal future here Sunday, calling current budgetary trends a cancer "that will destroy the country from within" unless checked by tough action in Washington.

The two leaders -- former Republican senator Alan Simpson of Wyoming and Erskine Bowles, White House chief of staff under President Bill Clinton -- sought to build support for the work of the commission, whose recommendations due later this year are likely to spark a fierce debate in Congress.

"There are many who hope we fail," Simpson said at the closing session of the National Governors Association annual meeting. He called the 18-member commission "good people with deep, deep differences" who know the odds of success "are rather harrowing."

(Graphic: President Obama's proposed 2011 budget explained)

Bowles said that unlike the current economic crisis, which was largely unforeseen before it hit in fall 2008, the coming fiscal calamity is staring the country in the face. "This one is as clear as a bell," he said. "This debt is like a cancer."

The commission leaders said that, at present, federal revenue is fully consumed by three programs: Social Security, Medicare and Medicaid. "The rest of the federal government, including fighting two wars, homeland security, education, art, culture, you name it, veterans -- the whole rest of the discretionary budget is being financed by China and other countries," Simpson said.

"We can't grow our way out of this," Bowles said. "We could have decades of double-digit growth and not grow our way out of this enormous debt problem. We can't tax our way out. . . . The reality is we've got to do exactly what you all do every day as governors. We've got to cut spending or increase revenues or do some combination of that."

Bowles pointed to steps taken recently by the new coalition government in Britain, which also faces an acute budgetary problem, as a guide to what the commission might use in its recommendations. That would mean about three-quarters of the deficit reduction would be accomplished through spending cuts, and the remainder with additional revenue.

Most Republicans in Congress are opposed to any tax increases, which has made the work of the commission far more difficult. Bowles and Simpson appealed for support to the governors, who have been forced by their states' constitutions to balance their budgets with deep spending cuts and, in many cases, tax increases.

Bowles and Simpson said the commission would have had a stronger hand politically had it been created by Congress, rather than through an executive order. Simpson was pointed in his criticism of seven Republicans who once co-sponsored such a measure but who helped block it in the Senate.

"As far as I can discern, it was to stick it to the president," Simpson said. "That's where we are in Washington." He later added that all seven "have now come to us to say, 'We're ready to help.'"

The presentation by Simpson and Bowles, which included repeated statements of determination to produce a bipartisan set of recommendations, drew praise from the governors.

"I don't know that I've every heard a gloomier picture painted that created more hope for me," said Arkansas Gov. Mike Beebe (D).

Washington Gov. Chris Gregoire (D) said that many governors fear that the commission's recommendations will result in more demands on the states.

Bowles, who noted that the 1997 balanced-budget agreement between the Clinton White House and the Republican-controlled Congress included many provisions that put more burdens on the states, said that wasn't likely.

"I don't think you're going to see a lot of devolution coming from us because the states are all broke," he said.

Simpson also warned that the November elections could add another wild card to the work of the commission. "I have no idea what's going to happen on Election Day but it's going to be disruptive . . .," he said. "It's going to be a big wake-up call around the whole United States. I have no idea where it's going, but thank heaven we have a month then to work through the wreckage."

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